5 Important Changes to 4 Arizona Tax Credits

by James G. Busby Jr.

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In this article, Busby summarizes changes to five Arizona income tax credits for tax year 2015.

For the first time in many years, the Arizona Legislature did not create any new income tax credits for 2015, but it did make five important changes to four existing tax credits. All of the changes either expanded the scope of existing credits or extended the deadline to make qualifying contributions.

Credit for Contributions to Public Schools

Two bills changed Arizona's individual income tax credit for qualifying contributions to public schools. This dollar-for-dollar credit is good for up to $200 for single taxpayers and up to $400 for married taxpayers filing jointly.[1]

First, in HB 2066 the Legislature expanded the scope of the credit, which was previously available only for contributions to support extracurricular activities or character education programs at public schools. The credit is now available for contributions to public schools to support preparation courses, materials, fees for standardized testing for college credit or readiness, and contributions to support career and technical education certifications. These changes are retroactive to January 1, 2015.[2]

The Legislature also extended the deadline to make qualifying contributions (HB 2483). Individuals may now make contributions to public schools on or before the 15th day of the fourth month following the close of the tax year and claim a credit for the contribution in either the current year or the preceding year.[3]

Credit for Contributions to Charities That Assist the Working Poor

Two years ago, the Legislature doubled the maximum dollar-for-dollar individual income tax credit taxpayers may claim for contributions to qualifying charitable organizations, from $200 for single taxpayers and $400 for married taxpayers filing a joint return, to $400 and $800, respectively, if the donee is a qualifying foster care charitable organization.[4]

The Legislature, in SB 1103, expanded the scope of the credit available at the higher amounts to include donations to qualifying charitable organizations that spend at least 50 percent of their budget on, and provide services to, at least 200 persons less than 21 years of age who participate in a qualifying transitional independent living program.[5]

Changes to the Credit for Corporate Donations to Private School Tuition Organizations

HB 2153 extends existing dollar-for-dollar corporate income tax credits for contributions to school tuition organizations by an S corporation to shareholders of the corporation, as long as the corporation contributes an aggregate of at least $5,000 in the tax year. Shareholders of the corporations may claim pro rata shares of the credit and carry forward unused portions of the credit for up to five years. These changes are retroactive to January 1, 2015.[6]

Credit for Investments in Renewable Energy Facilities

Last year the Legislature added nonrefundable individual and corporate income tax credits that may be carried forward for up to five years by manufacturers — and lessors who lease qualifying facilities to manufacturers — that invest at least $300 million in new renewable energy facilities that produce electricity used in the companies' own manufacturing processes.[7]

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[1]A.R.S. section 43-1089.01.
[2]Laws 2015, Chapter 47.
[3]Laws 2015, Chapter 217.
[4]Laws 2013, Chapter 9, section 9.
[5]Laws 2015, Chapter 250.
[6]Laws 2015, Chapter 301.
[7]Laws 2014, Chapter 8.

Restrictions to the credit added last year include: (1) the amount of the credit was limited to $1 million per facility per year for five years; (2) no taxpayer may claim more than $5 million in credit per year; (3) the Arizona Department of Revenue may not authorize more than $10 million in credits per calendar year on a first-come, first-served basis; and (4) taxpayers may not claim both this credit and the credit for renewable energy production.[8]

The changes in HB 2670 increased the amount of the credits available per taxpayer from $1 million to $5 million per year and made the credits available to taxpayers that use the energy from the renewable energy facility primarily for an international operations center. These changes are retroactive to January 1, 2015.[9]

Among other requirements, to qualify as an international operations center, the owner or operator of the facility must (1) invest at least $1.25 billion in new capital assets, including the cost of land, buildings, and equipment within 10 years of certification; and (2) make a minimum annual investment of $100 million in new capital assets, including the cost of land, buildings, and equipment, for 10 consecutive years. Excess investments in prior years can be carried forward as credits in future years to meet this threshold.[10] ✰

[8] *Id.*
[9] Laws 2015, Chapter 6.
[10] *Id.*